

**BEFORE THE VIRGINIA GAS AND OIL BOARD**

|                |                                   |   |                               |
|----------------|-----------------------------------|---|-------------------------------|
| APPLICANT:     | VIRGINIA GAS COMPANY              | ) |                               |
|                |                                   | ) |                               |
| RELIEF SOUGHT: | EXCEPTION TO THE SPACING          | ) |                               |
|                | LIMITATIONS PRESCRIBED BY         | ) |                               |
|                | VA. CODE ANN. §45.1-361.17 (A)(2) | ) | Docket No. VGOB-92/09/15-0272 |
|                |                                   | ) |                               |
| LEGAL          | ELKHORN CITY QUADRANGLE           | ) |                               |
| DESCRIPTION:   | DICKENSON COUNTY, VIRGINIA        | ) |                               |

**APPLICATION FOR EXCEPTION TO SPACING**

1.1 Applicant herein is Virginia Gas Company, whose address for the purpose hereof is P.O. Box 2407, Abingdon, Virginia, 24210, Telephone: (703) 676-2380.

1.2 The names and last-known addresses of each oil, gas, coal and mineral owner required to be notified pursuant to VR 480-05-22.2 § 4.B (1991) are listed on the attached Exhibit "B". Applicant has exercised due diligence to locate each of the persons and entities listed on Exhibit "B" owning interests in the oil, gas, coal and minerals entitled to notice pursuant to VR 480-05-22.2 § 4.B (1991). Applicant has attached an affidavit of due diligence as Exhibit "C".

1.3 Applicant is an owner of the right to develop and produce oil and gas from all formations underlying the lands described on Exhibit "A" in Dickenson County, Virginia and to appropriate the oil and gas produced therefrom.

1.4 Applicant has proposed a plan of development and operation to the Berea formation underlying a proposed drilling unit described on the attached Exhibit "A" and has proposed to commence such plan of development and operation of such unit by a gas well, designated as the EH-69, to be drilled upon the lands involved herein so as to produce gas from such unit.

1.5 The proposed well bore location for EH-69 is located 6,700 feet South of latitude 37°17'30" and 9,304 feet West of longitude 82°17'30" in the Elkhorn City Quadrangle of Dickenson County, Virginia. The formations to be produced are the Berea, Weir, Maxon, Big Lime, Ravenclyff and Devonian Shale formations.

1.6 The well bore location for proposed well EH-52, Virginia Gas Company, is located S 14°11'20" W 1723.94 feet from the proposed EH-69 well. The proposed formations to be produced are the Berea, Weir, Maxon, Big Lime, Ravenclyff and Devonian Shale formations.

1.7 The average well spacing for other wells producing from the Berea, Weir, Maxon, Big Lime, Ravenclyff and Devonian Shale formations is 2,640 feet.

1.8 Va. Code Ann. §45.1-361.17 (A)(2) (Michie Supp. 1991) provides that wells drilled in search of gas shall not be located closer than 2,640 feet to any other well completed in the same pool without prior approval from the Virginia Gas and Oil Board (hereinafter the "Board"). In consideration of all known conditions, it is the opinion of the Applicant that such distance limitation is not feasible for the unit described as Exhibit "A".

1.9 In accordance with Va. Code Ann. §45.1-361.17 (Michie Supp. 1991), Applicant requests that the location for EH-69 be approved for drilling in the Berea, Weir, Maxon, Big Lime, Ravencliff and Devonian Shale formations as depicted on the plat attached as Exhibit "A".

1.10 It is the opinion of the Applicant that the variance requested would provide for the most efficient drainage of the reservoir and the above referenced formations underlying the lands described in Exhibit "A", which would thus prevent the waste of the mineral resources underlying the Commonwealth. That the proposed well, at the location requested by Applicant, is necessary to effectively and efficiently drain a portion of the common sources of supply (reservoir) underlying the unit described as Exhibit "A" which cannot be adequately and efficiently drained without an exception to the statewide rules.

1.11 That to prevent waste, protect correlative rights and provide for the maximum safe recovery of the mineral resources underlying the Commonwealth, the Board should allow for an exception to the statewide spacing.

1.12 The relief sought by this application is authorized by: (1) Va Code Ann. §45.1-361.17 (Michie Supp.) 1991; (2) VR 480-05-22.2 (1991); and, (3) such other regulations promulgated pursuant to law.

WHEREFORE, Applicant requests that the Board grant its request and enter an order granting an exception to the statewide spacing rules set forth in Va. Code Ann. §45.1-361.17 (A)(2) (Michie Supp. 1991), and approving the location of the well bore at the coordinates set forth in Paragraph 1.5 and depicted on the plat attached as Exhibit "A" for the Berea, Weir, Maxon, Big Lime, Ravencliff and Devonian Shale formations from the surface to 150 feet below the stratigraphic equivalent of the Devonian Shale formation.

DATED this 17 day of AUGUST, 1992.

Virginia Gas Company

By: M. C. Edwards

Michael L. Edwards, President  
Virginia Gas Company



EXHIBIT "B"  
EH-69 Well UNIT

VGOB-92/09/15-0272

COAL, OIL AND GAS OWNERS AND LESSEES

United States of America  
Bureau of Land Management  
Jackson District Office  
411 Briarwood Dr, Suite 404  
Jackson, MS 39213

Steinman Development Company  
Box 249  
Norton, VA 24273

Columbia Natural Resources, Inc.  
Att'n: Danny Haught  
P.O. Box 6070  
Charleston, WV 25362-0070

Equitable Resources Exploration, Inc.  
Att'n: James A. Bibby, III  
1989 East Stone Drive  
Kingsport, TN 37660

AFFIDAVIT OF DUE DILIGENCE  
EXHIBIT "C"  
VGOB-92/09/15-0272

COMMONWEALTH OF VIRGINIA )  
COUNTY OF WASHINGTON)

I, Michael L. Edwards, after being duly sworn upon oath state as follows:

1. I am President of Virginia Gas Company, and am responsible for the notification process required by VR 480-05-22.2 § 4.B (1991).

2. That Virginia Gas Company will exercise due diligence in attempting to serve notice pursuant to VR 480-05-22.2 § 4.B to the parties listed on Exhibit "B" of its application for exception to spacing submitted to the Virginia Gas and Oil Board under Docket No. VGOB-92/09/15-0272.

3. That each of the parties listed on the above referenced Exhibit "B", are being notified of the filing of the Virginia Gas Company's application by certified mail, return receipt requested.

4. That every individual or entity having an interest in the oil, gas, coal and minerals underlying the tracts in the proposed EH-69 unit, whether known or unknown, will be notified of the filing of Virginia Gas Company's application by publication of notice to be submitted to the *Bristol Herald Courier* paper.

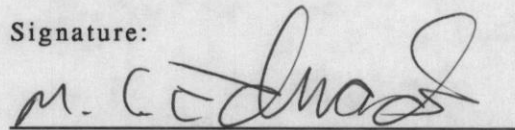
5. That Virginia Gas Company will continue to exercise due diligence in attempting to locate and identify the names and/or addresses of any unknown parties and if located will notify them of Virginia Gas Company's application.

I have read the foregoing, and the information given above is true to my best knowledge and belief.

Address:

P.O. Box 2407  
Abingdon, Virginia 24210

Signature:



Michael L. Edwards  
President  
Virginia Gas Company

ACKNOWLEDGMENT

COMMONWEALTH OF VIRGINIA )

COUNTY OF WASHINGTON)

SUBSCRIBED AND SWORN to before me this 17<sup>th</sup> day of AUGUST,  
1992.

James D. Rasmcke  
Notary Public

My commission expires:

SEPT 30, 1994



LATITUDE 37° 17' 30"

TOTAL UNIT AREA  
= 125.66 ACRES

STEINMAN DEVELOPMENT COMPANY  
coal, oil & gas  
BREAKS INTERSTATE PARK  
surface  
60.79 AC. - 48.38%

UNITED STATES FORESTRY SERVICE  
SET STONE FOUND CORNER # 16  
TRACT No. 550-C  
S 15°42'51" E  
389.48'

N 44°54'02" E  
122.29'  
N 63°41'48" E  
189.59'

UNITED STATES FORESTRY SERVICE  
SET STONE FOUND CORNER # 17  
TRACT No. 550-C  
N 75°57'39" W  
176.70'

UNITED STATES OF AMERICA  
TRACT 550-C  
surface, coal, oil & gas  
64.87 AC. - 51.62%

COORDINATES OF WELL  
N 12843.43  
E 12364.41

WELL  
EH-54  
S 87°54'54" W  
2653.28'

ACCESS ROAD

S 14°12'28" W  
1724.20'

WELL  
EH - 52

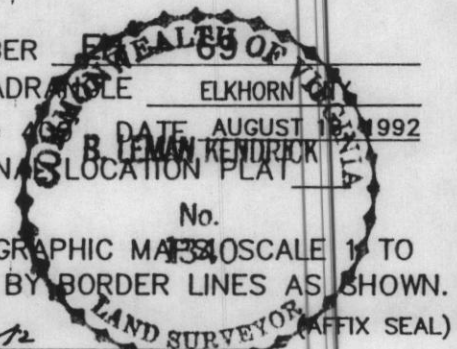
NOTE: WELL COORDINATE SYSTEM  
BASED ON ASSUMED COORDINATES

# WELL LOCATION PLAT

COMPANY Virginia Gas Company WELL NAME AND NUMBER EH-54  
TRACT No. UNITED STATES OF AMERICA ELEVATION 1831.77(Trig) QUADRANGLE ELKHORN  
COUNTY DICKENSON DISTRICT WILLIS SCALE: 1" = 100' DATE AUGUST 18, 1992  
THIS PLAT IS A NEW PLAT x; AN UPDATED PLAT   ; OR A FINAL LOCATION PLAT     
PROPOSED TOTAL DEPTH OF WELL = 4300'

+ DENOTES THE LOCATION OF A WELL ON UNITED STATES TOPOGRAPHIC MAPS AT SCALE 1" TO 24,000, LATITUDE AND LONGITUDE LINES BEING REPRESENTED BY BORDER LINES AS SHOWN.

LICENSED PROFESSIONAL ENGINEER OR LICENSED LAND SURVEYOR



NOTICE

August 17, 1992

RE: Hearing on Virginia Gas Company's Application for Exception to Spacing for Well No. EH-69.

Take notice that pursuant to VR 480-05-22.2 §4.B (1991), the above-referenced matter has been scheduled for hearing before the Virginia Gas and Oil Board. The hearings will commence at 9:00 A.M. on Tuesday, September 15, 1992, at the Southwest Virginia 4-H Center on Route 609, Hillman Highway, Abingdon, Virginia.

You have the right to attend this hearing and voice any objections or comments which you may have concerning same.

Any Inquiry concerning this matter should be directed to:

Virginia Gas and Oil Board  
c/o Mr. Byron T. Fulmer  
State Oil & Gas Inspector  
Division of Gas and Oil  
P.O. Box 1416  
Abingdon, Virginia 24210  
Telephone: (703) 676-5423



Sincerely,

VIRGINIA GAS COMPANY

*James D. Rasnake*

James D. Rasnake  
Land Manager